

MINUTES OF THE
NEW MEXICO EDUCATIONAL RETIREMENT BOARD
INVESTMENT COMMITTEE

December 2, 2022

1. a. CALL TO ORDER

A meeting of the New Mexico Educational Retirement Board Investment Committee was called to order on this date at 9:00 a.m. via teleconference. A quorum was present.

Members Present:

Mr. Russell Goff
Dr. Matías Fontenla
Mr. Larry Magid, Chair

Members Excused:

None.

Staff Present:

Mr. David Archuleta, Executive Director
Mr. Bob Jacksha, CIO
Mr. Steve Neel, Deputy CIO, Alternative Assets
Mr. Mark Canavan, Investment Officer, Real Estate & Natural Resources
Ms. Francine Jacquez, Portfolio Manager, Public Securities & Credit
Ms. Destiny Martinez, Executive Assistant

Others Present:

Mr. Allan Martin, NEPC
Mr. Robert Goldthorpe, NEPC
Ms. Noi Spyratos, CBRE Caledon
Mr. Aaron Vale, CBRE Caledon
Ms. Judith S. Beatty, Recorder

b. Approval of Agenda

Mr. Goff moved approval of the agenda, as published. Dr. Fontenla seconded the motion, which passed unanimously.

c. Approval of Minutes: 8/26/22

Mr. Goff moved approval of the 8/26/22 minutes, as presented. Dr. Fontenla seconded the motion, which passed unanimously.

d. Introduction of Guests

Chairman Magid welcomed staff and guests.

2. INVESTMENT POLICY STATEMENT DRAFT

Mr. Jacksha and Ms. Jacquez reviewed minor changes to the policy.

Mr. Martin said NEPC, working with GRS, Mr. Jacksha and staff, has developed a model of the NMERB's liability structure, combining the asset forecast with the liabilities in order to examine potential new mixes that would improve on the current asset allocation mix.

Mr. Goldthorpe reviewed NEPC's Asset-Allocation Study.

Mr. Goldthorpe stated that assumed financial measurements for June 2022 are mixed since the last asset liability study in 2019: projected funded status has gone from 63 percent to 64 percent; average 10-year cash flow projection has gone from -4.1 percent to -3.8 percent; and the expected full funding date has increased from 2045 to 2049.

Mr. Martin reviewed an alternative asset allocation chart (current policy, Mix A, Mix B, Mix C, and Mix D). He said Mix C, which is the recommendation of staff and NEPC, reduces Total Equity from 46% to 45%; increases Total Fixed Income from 31% to 32%; increases Real Assets from 17% to 20%; and reduces Total Multi Assets from 5% to 2%. This mix produces an expected return in 10 years of 6.5% and an expected return in 30 years of 7.8%. He commented that these changes are slightly more conservative while offering slightly more opportunity on the upside.

Mr. Jacksha noted that, in the Investment Policy under the Asset Allocation Table, they put in Mix C and adjusted the allowable ranges around those changes with one exception: In Core Bonds, they lifted the ceiling to a high number in case interest rates go up and they can buy core bonds at an attractive rate.

Mr. Goff moved that the Investment Committee recommend the board approve the changes to the Investment Policy Statement, with Mix C, as presented here today. Dr. Fontenla seconded the motion, which passed unanimously.

3. Q3 PROXY VOTING REPORT

Mr. Goff moved to accept the Q3 Proxy Voting Report, as presented. Dr. Fontenla seconded the motion, which passed unanimously.

4. Q2 2022 INFRASTRUCTURE REPORT

[Also present: Noi Spyratos and Aaron Vale, CBRE Caledon]

Mr. Canavan presented this report, with the following highlights:

- Portfolio Fair Value: \$630.6 million
- Unfunded Commitments: \$224 million
- Total Exposure (Fair Value plus Unfunded Commitments): \$854 million
- Portfolio Fees and Expenses: \$64 million
- Portfolio Inception Date: July 2008
- Total Number of Fund Investments: 15
- Total Number of Direct Investments: 28
- Net IRR Since Inception: 8.6%

Co-investments:

- Caledon Andromeda Investments (2013), \$85mm: Net IRR 11.6%
- Caledon Andromeda Investments II (2016), \$100mm: Net IRR: 19.5%
- CBRE Caledon Andromeda Investments III (2020), \$100mm: Net IRR 3.3%
- Total Direct Investments: \$285mm. Net IRR 14.4%

5. Q3 2022 COMMISSION REPORT

[Informational.]

6. DERIVATIVES REPORT

Mr. Jacksha stated that, while currently there are no derivatives from the overlay manager, the NMERB had a 2 percent exposure as the high point in Q3, which was well within the 20 percent limit.

7. OTHER REPORTS AND DISCUSSION

None

ADJOURN

The meeting adjourned at 10:25 a.m.

2012-12-02 10:00 AM

Dear Mr. Magid, I am writing to you regarding the meeting on December 2, 2022. I am sorry that I cannot attend the meeting in person. I will be in the office on December 2, 2022, and I will be available for a meeting at that time. I will be in the office on December 2, 2022, and I will be available for a meeting at that time.

Sincerely,
Larry Magid

cc: [redacted]

cc: [redacted]

cc: [redacted]



Larry Magid, Chairman